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Dairy Programs

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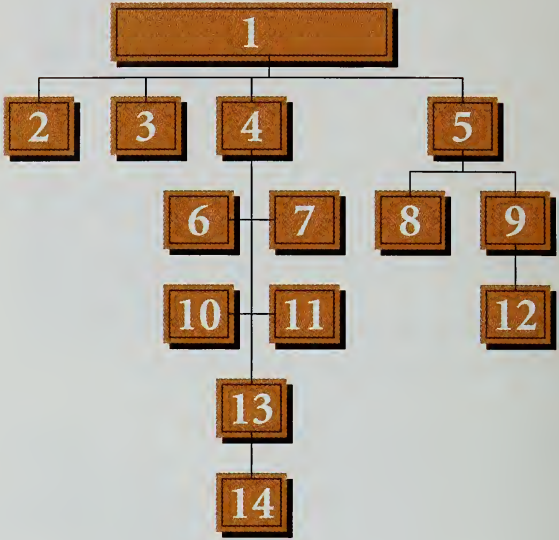
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Dairy Programs Organizational Chart



Office of the Deputy Administrator

Milk Market Administrators

Order Formulation Branch

Associate Deputy Administrator

AMS Dairy's Office of Chief Economist

Standardization Branch

Administrative Staff

Promotion and Research Branch

Market Information Branch

MA Personnel Branch

Order Operations Branch

National Dairy Market News Office

Grading Branch

National Field Office

Introduction

Dairy products can play an important role in helping us maintain a well-balanced diet. People of all ages enjoy these foods. We use them in our cooking or consume them as they are. It is important that these products be available in sufficient quantities and that their quality and wholesomeness be ensured. This is where Dairy Programs of USDA's Agricultural Marketing Service comes in.

Consumers are offered products such as cheese, butter, and nonfat dry milk that have been graded by USDA dairy graders and processed in plants that have been inspected by USDA inspectors. Such products must adhere to the standards of processing, quality, and composition established by the U.S. Government.

Farmers and others in the dairy industry also benefit. Minimum prices are established for milk, and market revenues are shared under the provisions of a milk marketing order program. Producers of dairy products are offered services that guarantee they are paid accurately for the weight and composition of milk they deliver to the market. This program serves to balance the market power of milk buyers and sellers and in so doing assures an adequate supply of milk and dairy products for consumers.

The entire dairy industry is kept well-informed about market conditions, resulting in improvements in the operating efficiency of dairy product markets.

Mission and Oversight of Dairy Programs

The mission of Dairy Programs is to assist the dairy industry by providing stability and orderliness in the dairy marketplace, while at the same time assuring the availability of an adequate supply of high-quality milk and dairy products for U.S. consumption.

The Deputy Administrator of Dairy Programs oversees the various programs, including the Federal milk order program; the standardization program; the inspection and grading program; the market news program; the dairy producer promotion and research program; and the fluid milk processor promotion and research program.

The personnel who help administer these programs, and who are employed at various locations, include marketing specialists who formulate and amend the Federal milk orders and provide summary statistical information on the program; economists who analyze and appraise the programs; market news reporters who provide market information to the industry; market administrators and their staffs, including accountants, auditors, statisticians, agricultural economists, chemists, and other laboratory technicians; those who develop grade standards and product specifications; and the grading program staff—including the national field director, inspectors, graders, auditors, plant survey inspectors, and equipment design review specialists. Also among the personnel whose work contributes to the program mission are clerical staff, management analysts, and human resource and information technology specialists.



Federal Milk Order Program

The objective of the Federal Milk Order Program is to stabilize market conditions which affect the sale of milk by dairy producers to handlers. The program assists dairy farmers in developing steady, dependable markets by providing prices for their milk that are reasonable in relation to economic conditions. Consumers are thus assured of an adequate supply of pure and wholesome milk.

- The Agricultural Marketing Agreement Act of 1937, as amended, authorizes Federal milk marketing orders.
- This is a voluntary program that defines the terms under which handlers of milk in a specified market purchase milk from dairy farmers.
- Orders make the buying of milk an orderly process upon which dairy farmers, milk handlers, and consumers can depend.
- Approximately 70 percent of all milk marketed in the United States is marketed under Federal milk orders. **Note:** *A map reflecting the marketing areas can be found on page 18.*

Federal Milk Marketing Orders

- Are instituted and amended at the request of dairy farmers. They are developed through public participation in hearings held by AMS prior to the issuance of an order or an amendment to an existing order.

- Become effective only if approved in a referendum by more than two-thirds of the producers whose milk is regulated by the milk order. An order may be terminated upon the request and approval of more than 50 percent of the producers supplying 50 percent of the milk in that market.
- Classify milk according to how it is used. Classification is uniform throughout the order system. Drinkable milk products are in the highest value class and manufactured products are placed in lower valued classes.
- Enforce minimum prices that handlers (the first buyers of milk) must pay for milk used in each of four classes that are uniform throughout the orders. Such minimum prices reflect market conditions.
- Require that the payments collected from handlers be pooled and averaged so that dairy farmers under an order are paid uniform prices for their milk based on how all milk in the market is used.
- Were authorized by Congress, and Congress can pass legislation mandating that reviews and changes be made in the program.

The Order Formulation Branch

The objective of the Order Formulation Branch is to develop Federal milk order provisions that promote orderly marketing and reflect current market conditions.

- Upon request, the Branch conducts public hearings on proposals to establish new orders or to amend an existing order or orders (considered formal rulemaking).

- Based upon the hearing records, prepares decisions establishing or amending an order. The new order or the entire order as amended becomes effective only if approved by affected milk producers in a referendum.
- Issues temporary suspensions or terminations of certain provisions of an order upon request (considered informal rulemaking).
- Carries out functions relating to the interpretation, review, and enforcement of milk marketing orders.

AMS Dairy's Office of Chief Economist

The objective of AMS Dairy's Office of Chief Economist is to conduct analyses and appraisals of the Federal milk order and other programs used in the development of milk order provisions. This office:

- Analyzes and evaluates the effect of existing and proposed policies and programs on the efficient marketing of milk and on the economic impacts on dairy farmers, processors, and consumers.
- Directs analysis of existing and proposed legislation affecting the production and marketing of milk and dairy products and formulates recommendations, supported by economic justifications.
- Interacts with other Federal and State agencies and universities on matters relating to the economics of dairying, the level of milk prices, and dairy farm income.



Milk Market Administration

The objective of a Market Administrator office is to administer the terms and provisions of each Federal milk order in regional offices throughout the country.

The Market Administrator Staff

- Examines books and records maintained by handlers to determine whether payments made to dairy farmers for milk delivered to handlers agree with the terms of the order.
- Verifies handlers' receipts and use of milk, as well as payments for milk, through examination of each handler's records.
- Combines a check of physical units and financial transactions through the verification program to assure accuracy of the reports required to be submitted by the handler to the Market Administrator.
- Announces monthly class milk prices and other prices required to compute minimum uniform prices to producers.
- Computes and announces minimum prices to producers.
- Prepares and disseminates statistics and other information on the market's supply and utilization of milk.



Cost of Operating Each Order

- Administrative cost is paid by the handlers regulated by the order on a user-fee basis.
- Most orders contain authority for the Market Administrator to provide marketing services to dairy farmers who are not members of cooperative associations that provide such services. These marketing services include publishing market information and statistics, verifying weights, assuring proper sampling, and performing accurate testing of the components of milk received. Dairy farmers receiving such services pay a marketing service assessment to cover costs.

The Order Operations Branch

The Order Operations Branch oversees the operations of the Market Administrator offices. The Branch:

- Assures consistent administration of the orders throughout the country.
- Reviews budgets and expenditures, conducts compliance reviews and evaluations, and assures that each Market Administrator adheres to USDA and agency regulations.

- Administers a Cooperative Qualification Program where cooperatives can apply for approval as qualified cooperatives under the Federal milk order program and market member milk under an order. A qualified cooperative can bloc-vote, blend the net proceeds from milk sales, and provide and verify market information, thereby eliminating the fees paid by individual dairy farmers to Market Administrators for these services. It can also use special provisions relating to the handling of, and payment for, its members' milk. Cooperatives are reviewed annually in order to maintain continued qualification.

The Market Administrator Personnel Staff

- Handles human resource responsibilities for Market Administrators and their staffs, all of whom are Excepted Service employees.
- Develops human resource policies, guides personnel activities, and conducts human resource compliance reviews in the milk market offices.



Market Information

The objective of the Market Information program is to make information available to the dairy industry to assist them in making current buying and selling decisions and in future planning.

The Market Information Branch

The Market Information Branch provides timely and accurate market information on milk and dairy products. The Branch:

- Brings together the key information that makes up and affects the market.
- Provides timely information needed to maintain an efficient and orderly marketing system. The information provided benefits those directly involved in the production, processing, shipping, and distribution of milk and dairy products.
- Benefits consumers through improvements in the operating efficiency of dairy product markets brought about by those industry members who use the reported information.
- Consists of two sections--Market News and Federal Milk Order Statistics--both of which gather and analyze information on milk or dairy products and distribute it to those who request it.

The Market News Section

- Covers domestic and foreign markets weekly.
- Interviews daily the buyers and sellers of butter, cheese, dry milk products, and fluid milk and cream products.

- Collects information that includes prices, volumes traded, and supply and demand conditions for dairy products.
- Analyzes and evaluates all the data received.
- Transmits over the Internet daily, weekly, and monthly dairy market reports. Weekly summary data are available in printed reports, through recorded telephone messages, and on the Internet.
- Publishes an annual report. The weekly and annual printed reports are available through subscriptions.

The Federal Milk Order Statistics Section

- Collects various statistics generated through the administration of the Federal milk order program.
- Publishes bi-monthly reports on prices, volume of milk marketed, utilization of milk and dairy products, and other related matters. Dairy industry analysts use these statistics in evaluating program performance.
- Computes and releases basic price information used to establish class and component prices under the Federal milk order program.



Standardization Program

The primary objective of the Dairy Standardization program is to provide a common language of trade through the development, improvement, and interpretation of standards, specifications, and quality improvement programs.

Grade Standards

- Provide an official description that measures the quality of dairy products.
- Provide a measure of quality based on attributes important to consumers such as taste, texture, appearance, and color.
- Provide nationally uniform standards that make grading services uniform and that dairy plants can use in their quality control programs.

Product Specifications

- Establish minimum quality requirements for acceptable dairy products not covered by standards.

Standards and Specifications

- Require extensive research and testing to achieve an accurate, workable, and uniform measure of the quality of the commodity.
- Must be maintained and updated to reflect changes in technology, food processing, or milk quality.

International Standards

- Are internationally recognized standards developed to enhance export opportunities for U.S. dairy products.
- Are used in trade discussions with foreign governments relative to the production and processing of milk and milk products.

General Specifications for Approved Dairy Plants

- Are requirements established for dairy plants wishing to participate in the voluntary *USDA-Approved Dairy Plant Program*.
- Pertain to both the dairy plant and the processing equipment's construction, maintenance, and sanitation, as well as to milk quality programs.

Uniform Regulations for Manufacturing Grade Milk (Recommended Requirements)

- Are nationally uniform regulations or model requirements established by USDA to encourage the sanitary production and processing of manufacturing grade (Grade B) milk and milk products.
- Are considered by State regulatory agencies for adoption as State law.
- Once adopted as State law, provide for the sanitary production of milk on manufacturing grade dairy farms.
- Enhance the availability of wholesome, high-quality dairy products.

The Standardization Branch

The objective of the Standardization Branch is to aid in the marketing of milk and dairy products through the development of standards, specifications, and uniform regulations for manufacturing grade (Grade B) milk and to review and evaluate the Grading Branch services. The Branch:

- Participates in the development of domestic and International Standards and provides technical support during trade discussions with foreign governments.
- Establishes requirements for dairy plants wishing to participate in the voluntary USDA-Approved Dairy Plant Program.
- Works closely with State agencies in developing the nationally uniform regulations or model requirements for manufacturing grade milk (Recommended Requirements).
- Has a *Review and Evaluation* specialist who conducts independent reviews of the services provided by the Dairy Grading Branch in order to identify ways to improve the uniformity and effectiveness of the service.



Grading Program

The objective of the Dairy Grading program is to assist the dairy industry in providing consumers with uniformly wholesome and high-quality dairy products through the application of multiple inspection, grading, and quality improvement services. These services include:

- Survey and Approval of Dairy Plants for USDA Grading Service
- Dairy Product Grading
- Resident Grading and Quality Control Service
- Partners for Dairy Quality (PDQ)

The Grading Branch

The objective of the Grading Branch is to help improve the quality, manufacture, and distribution of dairy products. The Branch provides oversight for these services, which are offered on a voluntary basis and require a fee:

Plant Surveys

- In order to be classified as a USDA Approved Dairy Plant, the plant must first meet requirements of USDA's General Specifications for Approved Dairy Plants.
- Plants are surveyed for the quality of raw materials, sanitation, condition of the plant and equipment, and processing procedures (factors which affect the quality and wholesomeness of the product).
- The inspector reviews the survey with the plant manager, explaining how to correct any deficiencies that exist. Once corrected, the plant is surveyed again before being approved.

- Plants do not automatically retain approval. A similar survey is required at least twice a year to maintain eligibility as a USDA-approved plant.

Dairy Product Grading

- Almost all products can be inspected or graded. Service is most widely used for butter, Cheddar cheese, and instant and regular nonfat dry milk.
- Products may be graded based on USDA grade standards or a USDA specification. Dairy products are graded or evaluated based on their taste, texture, appearance, and color. U.S. grading and product evaluation provide assurance to buyers as to a product's quality and wholesomeness. Laboratory tests also may be performed in evaluating the product.
- Graders examine samples of each item. If items meet all standards or specifications, the packages may be labeled with one of several official identifications.
- Product grading generates uniformity and encourages manufacturers to improve or maintain the quality of their product.

Resident Grading and Quality Control Service

- This service is a combination of the plant survey, grading, and laboratory programs.
- A grader is stationed at the plant on a full-time basis if the plant has been approved under the plant survey program and has a USDA-approved laboratory.

Partners for Dairy Quality (PDQ)

- This is an audit-based program that eliminates end-product inspection and grading for dairy products.
- Qualified products are those that can be evaluated under a U.S. Grade Standard, a U.S. specification, or a validated commercial specification and be processed using a verified and audited Quality Management System.
- The program allows a plant to package products with a wrapper bearing an official USDA identification.
- Rather than sample and grade product, USDA audits plant records—the quality of the cream used, for example—and may evaluate samples of product from plant coolers, freezers, or warehouses.



Promotion and Research Programs

The primary objectives of the two Dairy Promotion and Research programs are to strengthen the dairy industry's position in the national marketplace and to maintain and expand domestic and foreign markets and uses for fluid milk and dairy products produced in the United States. The programs are:

- The *National Dairy Promotion and Research Program*, which authorizes the National Dairy Promotion and Research Board. The Dairy Board's objective is to provide a national program for promotion, research, and nutrition education for all fluid milk and dairy products.
- The *National Fluid Milk Processor Promotion Program*, which authorizes the National Fluid Milk Processor Promotion Board. The Fluid Milk Board's objective is to provide a promotion and consumer education program for fluid milk.

Dairy farmers and processors are assessed fees to promote dairy products to the public through various print and media advertising.

The Promotion and Research Branch

The Promotion and Research Branch provides oversight of the two programs. The Branch:

- Reviews and approves the two Boards' annual budgets, budget amendments, agreements and contracts, advertising campaigns, and investment plans.
- Assists the Boards in their assessment activities, which include collection, compliance, and enforcement actions.
- Coordinates the nomination and appointment process of Board members and handles amending the orders and conducting periodic program audits and referenda.
- Attends all meetings and committee meetings of both Boards.
- Annually reviews applications submitted by the qualified State or regional dairy product promotion, research, and nutrition education programs for continued qualification.
- Submits an annual report to Congress on the activities of both Boards and USDA in relation to the Boards. The report includes an independent evaluation of the effectiveness of the programs.

Positions with Dairy Programs are located throughout the continental United States and in the Washington, D.C., headquarters area.

You may obtain information about Dairy Programs via the Internet at the following address:

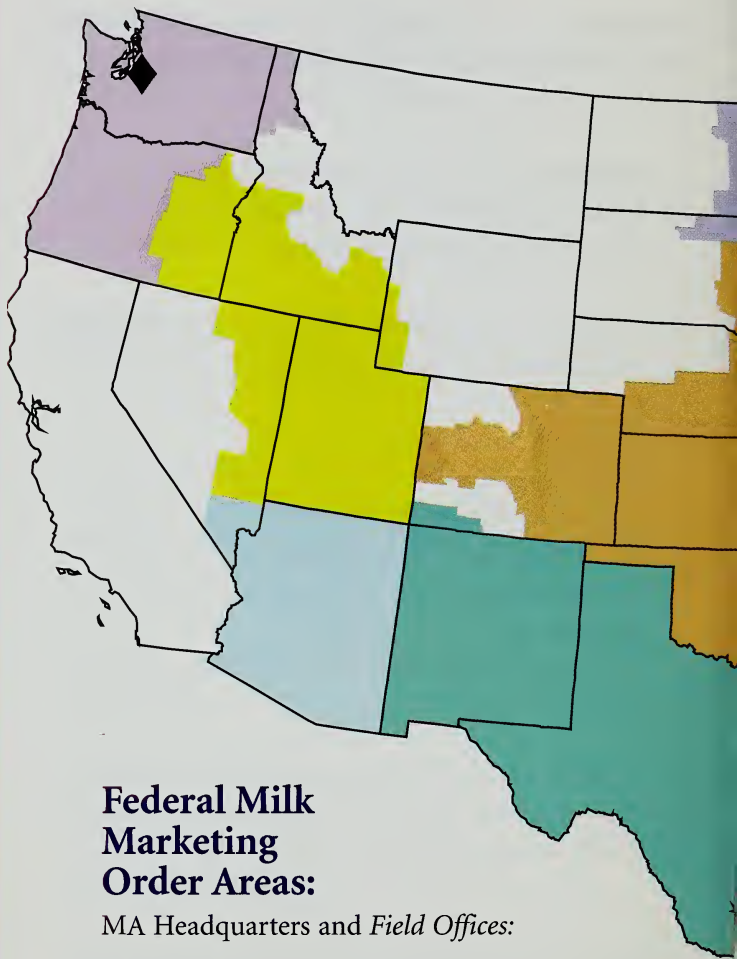
<http://www.ams.usda.gov/dairy>

Information—including the publications listed on page 20— also may be obtained by contacting:

Deputy Administrator
Dairy Programs
Agricultural Marketing Service
U.S. Department of Agriculture
14th and Independence Avenue, S.W.
Washington, DC 20250-0225
202/720-4392 (Phone)
202/690-3410 (Fax)

AMS Dairy Programs

Map shows Federal Milk Marketing Order areas as of January 1, 2000, and regional Milk Market Administrator (MA) headquarters offices. Also shown are Grading and Market News regional offices.



Federal Milk Marketing Order Areas:

MA Headquarters and *Field Offices*:

Mideast

Cleveland, OH
Detroit, MI
Indianapolis, IN

Pacific Northwest, Arizona-Las Vegas, and Western

Seattle, WA
Phoenix, AZ

Southwest

Dallas, TX

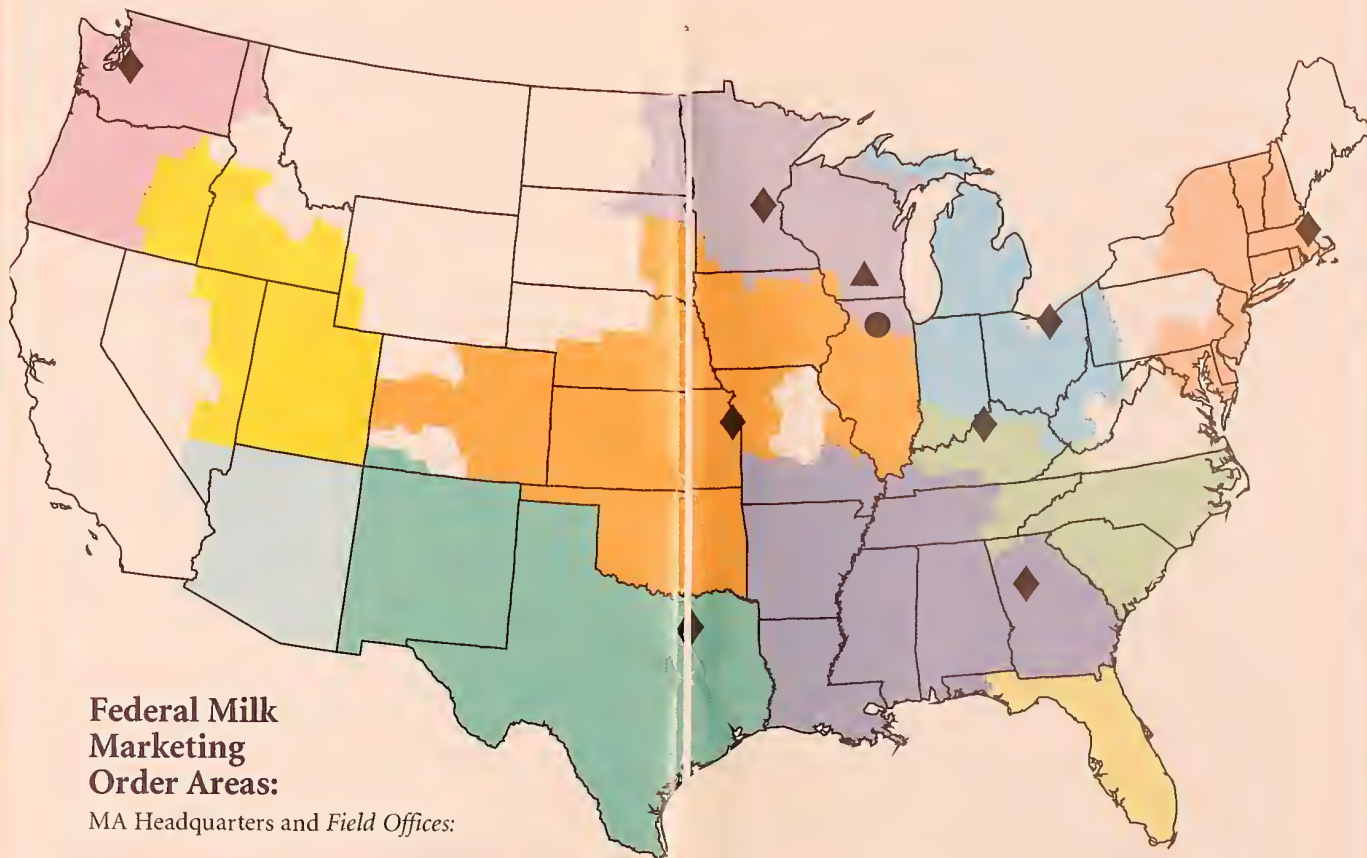
Upper Midwest

Minneapolis, MN
Chicago, IL
Madison, WI

AMS Dairy Programs

Map shows Federal Milk Marketing Order areas as of January 1, 2000, and regional Milk Market Administrator (MA) headquarters offices. Also shown are Grading and Market News regional offices.

- Dairy Grading Branch (Glen Ellyn, IL)
- ▲ Market News (Madison, WI)
- ◆ MA Headquarters



Federal Milk Marketing Order Areas:

MA Headquarters and *Field Offices*:

Mideast

Cleveland, OH
 Detroit, MI
 Indianapolis, IN

Pacific Northwest, Arizona-Las Vegas, and Western

Seattle, WA
 Phoenix, AZ

Southwest

Dallas, TX

Upper Midwest

Minneapolis, MN
 Chicago, IL
 Madison, WI

Florida and Southeast

Atlanta, GA
 Franklinton, LA
 Springfield, MO
 Winter Park, FL

Central

Kansas City, KS
 St. Louis, MO
 Denver, CO

Northeast

Boston, MA
 Albany, NY
 Alexandria, VA
 Ft. Lee, NJ
 Syracuse, NY

Appalachian

Louisville, KY
 Knoxville, TN

Other publications available from AMS Dairy Programs:

- The Federal Milk Marketing Order
Program (MB-27)*
- Questions and Answers on Federal
Milk Marketing Orders (AMS-559)*
- The Market News Service on Dairy
Products (MB-63)*
- Federal Milk Order Market Statistics
(issued annually)*
- Federal Milk Order Market Statistics
(issued bi-monthly)*
- What is a Dairy Marketing Cooperative?*
- Judging and Scoring Milk and
Cheese (FB-2259)*
- Grading Services
(Dairy Division-AMS-USDA)*
- Dairy Plants Surveyed and Approved
for USDA Grading Service
(issued quarterly)*
- USDA Guidelines for the Sanitary Design
and Fabrication of Dairy Processing
Equipment*
- How to Buy Butter (H&GB-257)*
- How to Buy Cheese (H&GB-256)*
- How to Buy Dairy Products (H&GB-255)*
- USDA Annual Report to Congress on the
National Dairy Promotion and
Research Program and the National
Fluid Milk Processor Promotion
Program*
- *Dairy Market News
(issued weekly)*
- *Dairy Market Statistics
(issued annually)*

* Fee required.

August 2000

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